

## Directors' Report

### **To the Shareholders, Digilife Distribution and Marketing Services Limited**

Your Directors have pleasure in presenting their Fourth Annual Report together with the Audited Accounts for the financial year ended 30<sup>th</sup> June, 2012.

#### **Financial Highlights**

The financial details are as under:

Particulars	(Rs./Lacs)	
	Year ended 30 <sup>th</sup> June, 2012	Year ended 30 <sup>th</sup> June, 2011
Net Sales and other income	20999.39	5679.87
Profit/(Loss) before Interest, Depreciation and Tax	(71.87)	(778.72)
Finance Charges	0.05	1.43
Depreciation	2.15	27.50
(Loss) before Tax	(74.07)	(807.65)
Provision for Taxation: Current	-	-
: Fringe Benefit	-	-
: Deferred	-	-
Net (Loss) after Tax	(74.07)	(807.65)

The net revenue of the Company was Rs. 20999.39 Lacs as against Rs. 5679.87 Lacs in the previous year. The Company incurred net loss after tax of Rs. 74.07 Lacs as against a loss of Rs. 807.65 Lacs in the previous year.

#### **Business**

The Company has transferred its Security and Surveillance business as a going concern on slump sale basis, to HCL Infosystems Limited, the Holding Company, with effect from 1<sup>st</sup> August, 2011 and acquired the Digital Entertainment business of HCL Infosystems Limited, as a going concern on slump sale basis with effect from the same date.

Post transfer of businesses into Digilife, this financial year witnessed some unexpected events resulting in overall underperformance of the Company in 2011-12. Kodak exited the Indian Digital camera market resulting in revenue loss. Apple iPod businesses witnessed supply constraints and transitional delays. Hitachi could not refresh their TV portfolio.

However, JBL, Omron, Delonghi & Silicon Power will be coming on board shortly as contracts have been signed. IT & Mobility integration has been quite successful and this would be in line with the strategy to address Telecom, IT & digital Lifestyle channels. The Company has launched its own accessories brand called Power + and it is expected to perform well.

#### **Public Deposit**

The Company has not accepted any deposits from the public.

#### **Directors**

Mr. Harshavardhan Madhav Chitale was appointed as an Additional Director of the Company with effect from 7<sup>th</sup> November, 2011.

The Company has received notices from member of the Company, under section 257 of the Companies Act, 1956, proposing appointment of Mr. Harshavardhan Madhav Chitale as Director of the Company, along with the requisite deposit.

The office term of Mr. Chitale will be subject to retirement by rotation.

Mr. Ajai Chowdhry stepped down from the position of Director of the Company w.e.f. 30<sup>th</sup> June, 2012. The Board places on record its appreciation for the contributions made by him during his tenure with the Company.

In accordance with the Articles of Association of the Company, Mr. J.V. Ramamurthy, Director is retiring by rotation and being eligible, has offered himself for re-appointment.

#### **Directors' Responsibility Statement**

Pursuant to the requirement of Section 217(2AA) of the Companies Act, 1956, and based on the representations received from the operating management, the Directors hereby confirm that:

- a. in the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure;
- b. appropriate accounting policies have been selected and applied consistently, and that the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 30<sup>th</sup> June, 2012 and of the loss of the Company for the said period;
- c. proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d. the annual accounts have been prepared on a going concern basis.

#### **Personnel**

Inter-personnel relations in the Company during the period under review were harmonious. The Board wishes to place on record their appreciation for the contribution made by all the employees to the operations of the Company during the year under review.

There is no employee in the Company whose particulars are required to be furnished under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

#### **Additional information in relation to Conservation of Energy, Technology Absorption**

During the year under review, there are no particulars to be furnished in respect of conservation of energy and technology absorption.

#### **Foreign Exchange Earning and Outgo**

The details of foreign exchange earnings and outgo is as under:

(Rs./Lacs)

Particulars	Year ended 30 <sup>th</sup> June, 2012	Year ended 30 <sup>th</sup> June, 2011
Foreign Exchange Earnings	-	62.51
Foreign Exchange Outgo	2.15	4.22

#### **Auditors and Auditors' Report**

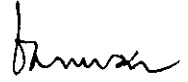
M/s Price Waterhouse, Chartered Accountants, the auditors of the Company, retire at the forthcoming Annual General Meeting and being eligible offer themselves for reappointment. Your Directors recommend their reappointment.

**Acknowledgement**

The Directors wish to place on record their appreciation for the continued co-operation the Company received from various departments of the Central and State Government, Bankers, Financial Institutions, Dealers and Suppliers and also acknowledge the contribution made by the employees.

The Board also wishes to place on record its gratitude to the valued Customers, Members and business associates for their continued support and confidence reposed in the Company.

**For and on behalf of Board**



**Sandeep Kanwar  
Chairman**

**Place** : Noida  
**Date** : 22<sup>nd</sup> August, 2012

**DIGILIFE DISTRIBUTION AND MARKETING  
SERVICES LIMITED**

**STATEMENT OF ACCOUNTS**

**FOR THE YEAR ENDED JUNE 30, 2012**

**Auditors' Report to the Members of Digilife Distribution and Marketing Services Limited (Formerly known as HCL Security Limited)**

1. We have audited the attached Balance Sheet of Digilife Distribution and Marketing Services Limited (Formerly known as HCL Security Limited) (the "Company") as at June 30, 2012, and the related Statement of Profit and Loss and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the "Order"), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
  - (e) On the basis of written representations received from the directors, as on June 30, 2012 and taken on record by the Board of Directors, none of the directors is disqualified as on June 30, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;



- (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give, in the prescribed manner, the information required by the Act, and give a true and fair view in conformity with the accounting principles generally accepted in India:
- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at June 30, 2012;
  - (ii) in the case of the Statement of Profit and Loss, of the loss for the year ended on that date;  
and
  - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For Price Waterhouse  
Firm Registration Number-301112E  
Chartered Accountants



Abhishek Rara  
Partner  
Membership Number 77779

Place : Noida  
Dated : August 22, 2012

**Annexure to Auditors' Report**

Referred to in paragraph 3 of the Auditors' Report of even date to the members of Digilife Distribution and Marketing Services Limited (Formerly known as HCL Security Limited) on the financial statements for the year ended June 30, 2012

- i. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.
- (b) The fixed assets of the Company have been physically verified by the Management during the year and no material discrepancies have been noticed on such verification. In our opinion, the frequency of verification is reasonable.
- (c) In our opinion, and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the Company during the year.
- ii. (a) Except for Goods in Transit, the other inventory has been physically verified by the Management during the year. In our opinion, except for Goods in Transit, the frequency of verification is reasonable.
- (b) In our opinion, the procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
- iii. The Company has not granted/taken any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act. Therefore, the provisions of Clause 4(iii)[(b),(c) and (d) / (f) and (g)] of the said Order are not applicable to the Company.
- iv. In our opinion, and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across, nor have been informed of, any continuing failure to correct major weaknesses in the aforesaid internal control system.
- v. According to the information and explanations given to us, there have been no contracts or arrangements that need to be entered in the register maintained under Section 301 of the Act.
- vi. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
- vii. In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
- viii. The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act for any of the products of the Company.
- ix. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues, including provident fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, customs duty and other material statutory dues, as applicable, with the appropriate authorities.
- (b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of income tax, sales tax, wealth tax, service tax, customs duty, and excise duty which have not been deposited on account of any dispute.
- x. As the Company is registered for a period less than five years, the provisions of Clause 4(x) of the Order, are not applicable to the Company.




**Annexure to Auditors' Report**

Referred to in paragraph 3 of the Auditors' Report of even date to the members of Digilife Distribution and Marketing Services Limited (Formerly known as HCL Security Limited) on the financial statements for the year ended June 30, 2012

- xi. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.
- xii. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Therefore, the provisions of Clause 4(xii) of the Order are not applicable to the Company.
- xiii. As the provisions of any special statute applicable to chit fund/ nidhi/ mutual benefit fund/ societies are not applicable to the Company, the provisions of Clause 4(xiii) of the Order are not applicable to the Company.
- xiv. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of Clause 4(xiv) of the Order are not applicable to the Company.
- xv. In our opinion, and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year. Accordingly, the provisions of Clause 4(xv) of the Order are not applicable to the Company.
- xvi. In our opinion, and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained.
- xvii. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that the no funds raised on short-term basis have been used for long-term investment.
- xviii. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year. Accordingly, the provisions of Clause 4(xviii) of the Order are not applicable to the Company.
- xix. The Company has not issued any debentures during the year and does not have any debentures outstanding as at the beginning of the year and at the year end. Accordingly, the provisions of Clause 4(xix) of the Order are not applicable to the Company.
- xx. The Company has not raised any money by public issues during the year. Accordingly, the provisions of Clause 4(xx) of the Order are not applicable to the Company.
- xxi. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of any such case by the Management.

Place : Noida  
Dated : August 22, 2012

For Price Waterhouse  
Firm Registration Number-301112E  
Chartered Accountants

  
Abhishek Rara  
Partner  
Membership Number 77779



Digilife Distribution and Marketing Services Limited (Formerly known as HCL Security Limited)  
Balance Sheet as at June 30, 2012

	Notes	As at 30.06.2012 ₹/Lacs		As at 30.06.2011 ₹/Lacs	
<b>Equity and Liabilities:</b>					
<b>Shareholders' funds</b>					
Share capital	2,3	4,805.00		1,905.00	
Reserves and surplus	3	(1,861.58)	2,943.42	(1,787.51)	117.49
<b>Non-current liabilities</b>					
Long-term provisions	4		2.33		6.06
<b>Current liabilities</b>					
Short-term borrowings	5	-		1,160.00	
Trade payables	6	10,002.20		1,961.25	
Other current liabilities	7	278.86		469.16	
Short-term provisions	8	3.08	10,284.14	65.38	3,655.79
<b>Total Equity and Liabilities</b>			<b>13,229.89</b>		<b>3,779.34</b>
<b>Assets:</b>					
<b>Non-current assets</b>					
<b>Fixed assets</b>					
- Tangible assets	9	0.96		23.74	
Deferred tax assets (net)	24	457.87		457.87	
Long-term loans and advances	10	18.40	477.23	25.31	506.92
<b>Current assets</b>					
Inventories	11	3,954.66		251.24	
Trade receivables	12	6,403.53		2,603.68	
Cash and bank balances	13	1,557.60		54.27	
Short-term loans and advances	14	836.87		287.78	
Other current assets	15	-	12,762.66	75.45	3,272.42
<b>Total Assets</b>			<b>13,229.89</b>		<b>3,779.34</b>

**Significant Accounting Policies**

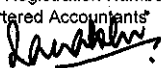
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This is the Balance Sheet referred to in our report of even date

The schedules referred to above form an integral part of the Balance Sheet

For Price Waterhouse  
Firm Registration Number-301112E  
Chartered Accountants


For and on behalf of the Board of Directors

  
ABHISHEK RARA  
Partner  
Membership Number 77779

  
HARSH CHITALE  
Director

  
SANDEEP KANWAR  
Director

Place : Noida  
Dated : August 22, 2012

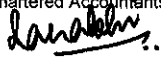
  
DEEPA RAVI SHANKAR  
Company Secretary

Digilife Distribution and Marketing Services Limited (Formerly known as HCL Security Limited)  
Statement of Profit and Loss for the year ended June 30, 2012

	<u>Notes</u>	<u>Year ended 30.06.2012 ₹/lacs</u>	<u>Year ended 30.06.2011 ₹/Lacs</u>
<b>Revenue:</b>			
Revenue from operations	16	20,881.70	5,661.73
Other income	17	117.69	18.14
		<u>20,999.39</u>	<u>5,679.87</u>
<b>Expenses:</b>			
Purchases of stock-in-trade	25 (a)	23,910.25	5,162.52
(Increase)/Decrease in inventories of stock-in-trade	18	(3,703.42)	0.48
Other direct expense	19	42.69	266.63
Employee benefits expense	20	214.68	727.20
Finance costs	21	0.05	1.43
Depreciation and amortisation expense	9	2.15	27.50
Other expenses	22	607.06	301.76
		<u>21,073.46</u>	<u>6,487.52</u>
<b>Loss before tax</b>		<b>(74.07)</b>	<b>(807.65)</b>
Tax expense	24	-	-
<b>Loss for the year</b>		<b>(74.07)</b>	<b>(807.65)</b>
<b>Earning per equity share (in ₹)</b>			
Basic (of ₹ 10/- each)	32	(0.17)	(5.48)
Diluted (of ₹ 10/- each)	32	(0.17)	(5.48)
<b>Significant Accounting Policies</b>			
1			

This is the Statement of Profit and Loss referred to in our report of even date

For Price Waterhouse  
Firm Registration Number-301112E  
Chartered Accountants

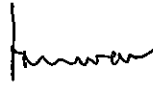
  
ABHISHEK RARA  
Partner  
Membership Number 77779

Place : Noida  
Dated : August 22, 2012

The schedules referred to above form an integral part of the Statement of Profit and Loss

For and on behalf of the Board of Directors

  
HARSH CHITALE  
Director

  
SANDEEP KANWAR  
Director

  
DEEPA RAVI SHANKAR  
Company Secretary



**Digilife Distribution and Marketing Services Limited (Formerly known as HCL Security Limited)**  
**Cash Flow Statement for the year ended June 30, 2012**

	Year ended 2012 ₹/Lakhs	Year ended 2011 ₹/Lakhs
<b>1. Cash Flow from Operating Activities:</b>		
<b>Net profit before tax</b>	<b>(74.07)</b>	<b>(807.65)</b>
<b>Adjustments for:</b>		
Depreciation and Amortisation	2.15	27.50
Interest Expense	0.05	1.43
Provision for Doubtful Debts	3.88	29.47
Provision for Doubtful Loans and Advances	-	4.18
Provision for Doubtful Other Current Assets	12.50	-
Provisions/Liabilities no longer required Written Back	(44.57)	-
Loss on Sale of Business	167.42	-
Provision for Gratuity and Other Employee Benefits	(28.36)	(11.37)
Unrealised Foreign Exchange (Gain)/Loss	(28.37)	(46.71)
Provision for Warranty Liability	(37.67)	17.34
	<b>47.03</b>	<b>21.84</b>
<b>Operating profit before working capital changes</b>	<b>(27.04)</b>	<b>(785.81)</b>
<b>Adjustments for changes in working capital:</b>		
- (Increase)/Decrease in Trade Receivables	(4,544.90)	(759.20)
- (Increase)/Decrease in Loans and Advances and Other Assets	(493.09)	(122.45)
- (Increase)/Decrease in Inventories	(2,644.83)	0.48
- Increase/(Decrease) in Liabilities	7,438.98	31.83
	<b>(243.84)</b>	<b>(849.34)</b>
<b>Cash generated from operations</b>	<b>(270.88)</b>	<b>(1,635.15)</b>
- Taxes (Paid)/Received (Net of Tax Deducted at Source)	-	4.05
<b>Net cash from operating activities</b>	<b>(A) (270.88)</b>	<b>(1,631.10)</b>
<b>2. Cash flow from Investing Activities:</b>		
Purchase of Fixed Assets, including Intangible Assets	(2.61)	(13.38)
Proceeds from Sale of Fixed Assets	2.55	28.09
Interest Received	-	0.49
Movement in Margin Money	(114.08)	-
Purchase of Banks Deposits (having original maturity of more than three month)	(780.83)	-
	<b>(894.97)</b>	<b>15.20</b>
<b>Net cash from/(used in) investing activities</b>	<b>(B) (894.97)</b>	<b>15.20</b>



3. Cash Flow from Financing Activities:

Proceeds from short term borrowings

Unsecured Loans:

Short term received

Interest Paid

(1,160.00)  
(0.05)

1,660.00  
(2.52)

(1,160.05)

1,657.48

Net cash from/(used in) financing activities

(C)

(1,160.05)

1,657.48

Net Increase/(Decrease) in Cash and Cash Equivalents

(A+B+C)

(2,325.90)

41.58

Opening Balance of Cash and Cash Equivalents

54.27

12.69

Add: Acquired on Purchase of Digital Entertainment Business (Refer Note 39)

3,154.73

Less: Transferred on Sale of Security and Surveillance Business (Refer Note 39)

(220.41)

Closing Balance of Cash and Cash Equivalents

662.69

54.27

Cash and cash equivalents comprise

662.69

54.27

Cash, Cheques and Drafts (in hand)

2.69

0.11

Balances with Banks in Current Accounts

660.00

54.16

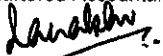
Balance with Scheduled Banks in Deposits Accounts

Notes:

- 1 The above Cash Flow Statement has been prepared under the indirect method set out in Accounting Standard-3, notified u/s 211(3C) of Companies Act, 1956.
- 2 Figures in brackets indicate cash outgo.

This is the Cash Flow Statement referred to in our report of even date

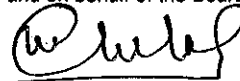
For Price Waterhouse  
Firm Registration Number-301112E  
Chartered Accountants



ABHISHEK RARA  
Partner  
Membership Number 77779

Place : Noida  
Dated : August 22, 2012

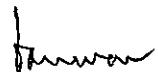
For and on behalf of the Board of Directors



HARSH CHITALE  
Director



DEEPA RAVI SHANKAR  
Company Secretary



SANDEEP KANWAR  
Director

## 1 - SIGNIFICANT ACCOUNTING POLICIES

### a. BACKGROUND

Digilife Distribution and Marketing Services Limited (Formerly Known as HCL Security Limited) ("The Company") was incorporated on March 19, 2008 and is the wholly owned subsidiary of HCL Infosystems Limited. The company is engaged in the business of trading and distribution of various telecommunications and electronic equipment, computer hardware and software and its accessories and other electronic, electric, digital, multi-media, consumer durables and domestic products erstwhile it was engaged in the business of supply and/or installation of Security, Surveillance and Scanning related equipments.

### b. BASIS OF ACCOUNTING

The financial statements of the Company have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India and comply with the mandatory Accounting Standards notified under section 211(3C) of the Companies Act, 1956 and the relevant provisions of the Companies Act, 1956.

As at June 30, 2012, the Company has material accumulated losses of ₹ 1,861.58 Lakhs HCL Infosystems Limited, the Holding Company, has confirmed its intention to provide continued financial and operational support to the Company, to enable it to operate as a going concern. Further, refer Note 39 of Financial Statement regarding the sale of business to HCL Infosystems Limited. Accordingly, the accompanying financial statements have been prepared on a going concern basis.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule VI to the Companies Act, 1956. Based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current – non-current classification of assets and liabilities.

### c. FIXED ASSETS

Tangible Fixed Assets are stated at cost except those which are revalued from time to time on the basis of current replacement cost/value to the Company, net of accumulated depreciation/amortisation.

Subsequent expenditures related to an item of fixed asset are added to its book value only if they increase the future benefits from the existing asset beyond its previously assessed standard of performance.

Losses arising from the retirement of, and gains or losses arising from disposal of fixed assets which are carried at cost are recognised in the Statement of Profit and Loss.

### d. DEPRECIATION AND AMORTISATION

(a) Depreciation on tangible fixed assets is provided on a pro-rata basis using the straight-line method based on economic useful lives of the assets determined by way of periodical technical evaluation. Individual assets costing less than Rs. 5,000 are depreciated fully in the year of acquisition.

(b) Economic useful lives, which are not exceeding those stipulated in Schedule XIV of the Companies Act, 1956 are as under:

Furniture and Fixtures	4-6	years
Office Equipment	3-6	years
Computers	3-5	years

(c) Leasehold improvements are amortised on straight-line basis over the period of three years or lease period whichever is lower.

(d) Individual assets costing ₹ 5,000 or less are depreciated/amortised fully in the year of acquisition.



#### e. INVENTORIES

Finished Goods are valued at lower of cost and net realisable value. Cost is determined on the basis of weighted average method. Goods in Transit are valued inclusive of Customs Duty, where applicable.

#### f. FOREIGN CURRENCY TRANSACTIONS

- a) Foreign currency transactions are recorded at the exchange rates prevailing at the date of transaction. Exchange differences arising on settlement of transactions, are recognised as income or expense in the year in which they arise.
- b) At the balance sheet date, all assets and liabilities denominated in foreign currency are reported at the exchange rates prevailing at the balance sheet date and the resultant gain or loss is recognised in the Statement of Profit and Loss.

#### g. EMPLOYEE BENEFITS

##### Defined Benefit:

##### Gratuity

The Company provides for gratuity, a defined benefit plan (the "Gratuity Plan") covering eligible employees in accordance with the Payment of Gratuity Act, 1972. The Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment. The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of each year. Actuarial losses/gains are recognised in the Statement of Profit and Loss in the year in which they arise.

##### Provident Fund

Provident Fund contributions are made to a multi-employer Trust administered by the Holding Company. The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of the year and any shortfall in the fund size maintained by the Trust set up by the Company is additionally provided for. Actuarial losses/gains are recognised in the Statement of Profit and Loss in the year in which they arise.

##### Other Benefits:

##### Compensated Absences

Accumulated compensated absences, which are expected to be availed or encashed within 12 months from the end of the year end are treated as short term employee benefits. The obligation towards the same is measured at the expected cost of accumulating compensated absences as the additional amount expected to be paid as a result of the unused entitlement as at the year end.

Accumulated compensated absences, which are expected to be availed or encashed beyond 12 months from the end of the year end are treated as other long term employee benefits. The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of each year. Actuarial losses/ gains are recognised in the Statement of Profit and Loss in the year in which they arise.

##### Defined Contribution:

Company's contribution towards Superannuation Fund is accounted for on accrual basis. The Company makes defined contributions to a Superannuation Trust established for the purpose. The Company has no further obligation beyond the monthly contributions.

#### h. REVENUE RECOGNITION

- (a) Composite contracts, outcome of which can be reliably estimated, where no significant uncertainty exists regarding realisation of the consideration, revenue is recognised in accordance with the percentage completion method, under which revenue is recognised on the basis of cost incurred as a proportion of



total cost expected to be incurred. The foreseeable losses on the completion of the contract, if any, are provided for immediately.

(b) Service income includes income from Installation and Commissioning services and is recognised on completion of such services.

(c) Sales, after adjusting trade discount and the related revenue is recognised on transfer of all significant risks and rewards of ownership to the customer and when no significant uncertainty exists regarding realisation of the consideration.

#### **i. LEASES**

Assets taken on leases where significant portion of risks and rewards of ownership are retained by lessor are classified as operating leases. Lease rentals are charged to the Statement of Profit and Loss account on a straight-line basis over the lease term.

#### **j. CURRENT AND DEFERRED TAX**

Tax expense for the period, comprising current tax and deferred tax, are included in the determination of the net profit or loss for the period. Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the taxation laws prevailing in the respective jurisdictions.

Deferred tax is recognised for all the timing differences, subject to the consideration of prudence in respect of deferred tax assets. Deferred tax assets are recognised and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date. At each Balance Sheet date, the Company reassesses unrecognised deferred tax assets, if any.

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle the asset and the liability on a net basis. Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off assets against liabilities representing current tax and where the deferred tax assets and the deferred tax liabilities relate to taxes on income levied by the same governing taxation laws.

#### **k. PROVISIONS AND CONTINGENT LIABILITIES**

The Company creates a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that probably will not require an outflow of resources or where a reliable estimate of the amount of the obligation cannot be made.

#### **l. IMPAIRMENT OF ASSETS**

At each balance sheet date, the Company assesses whether there is any indication that tangible asset may be impaired. If any such indication exists, the Company estimates the recoverable amount and if the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised in the Statement of Profit and Loss to the extent the carrying amount exceeds the recoverable amount.

#### **m. USE OF ESTIMATES**

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period. Examples of such estimates include estimate of cost expected to be incurred to complete performance under composite arrangements, income taxes, provision for warranty, employment benefit plans, provision for doubtful debts and estimated useful life of the fixed assets. The actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.



**Digilife Distribution and Marketing Services Limited (Formerly known as HCL Security Limited)**

**Notes to the Financial Statements**

	As at 30.06.2012 ₹/Lacs	As at 30.06.2011 ₹/Lacs
<b>2- Share capital</b>		
<u>Authorised</u>		
50,000,000 Equity Shares (2011 - 25,000,000) of ₹ 10/- each	5,000.00	2,500.00
<u>Issued, Subscribed and Paid up</u>		
48,050,000 Equity Shares (2011 - 19,050,000) of ₹ 10/- each (Fully Paid Up)	4,805.00	1,905.00
<b>TOTAL</b>	<b>4,805.00</b>	<b>1,905.00</b>

Notes:

(i) Rights attached to Equity Shares:

The Company has only one class of equity share having a face value of ₹ 10/- each. Each holder of equity shares is entitled to one vote per share held.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive the remaining assets of the Company after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by Shareholders.

(ii) Shares allotted as fully paid up pursuant to contract without payment being received in cash

(a) Equity Shares of ₹ 10/- each were issued in August 2011 to HCL Infosystems Limited against the consideration for the purchase of Digital Entertainment business to HCL Infosystems Limited, pursuant to the approval of the shareholders obtained in accordance with Section 293(1)(a) of the Companies Act, 1956, without payment being received in cash. (Refer Note 39)

(b) Equity Shares of ₹ 10/- each were issued in previous year pursuant to right exercised by HCL Infosystems Limited for conversion of Loan of ₹ 1500 lacs into 15,000,000 equity shares of ₹ 10 each.

(i) Shareholders holding more than 5% of the aggregate shares in the Company	No of Shares	% of shares	No of Shares	% of shares
(a) HCL Infosystems Limited (Holding Company)	48,050,000	100	19,050,000	100





**Digiilife Distribution and Marketing Services Limited (Formerly known as HCL Security Limited)**

**Notes to the Financial Statements**

**3- Movement in Share capital and Reserves and surplus**

(Rs.in lacs, except no. of Shares)

Particulars	Number of Shares	Share Capital	Surplus/(Deficit) in the Statement of Profit and Loss
<b>As at July 1, 2010</b>	4,050,000	405	(979.86)
Issue of equity shares	15,000,000	1,500	-
Profit/(Loss) for the year	-	-	(807.65)
<b>As at June 30, 2011</b>	<b>19,050,000</b>	<b>1,905</b>	<b>(1,787.51)</b>
<b>As at July 1, 2011</b>	19,050,000	1,905	(1,787.51)
Issue of equity shares (Refer Note 39)	29,000,000	2,900	-
Profit for the year	-	-	(74.07)
<b>As at June 30, 2012</b>	<b>48,050,000</b>	<b>4,805</b>	<b>(1,861.58)</b>



**Digilife Distribution and Marketing Services Limited (Formerly known as HCL Security Limited)**

**Notes to the Financial Statements**

	As at 30.06.2012 ₹/Lacs	As at 30.06.2011 ₹/Lacs
<b>4- Long-term provisions</b>		
Provision for Gratuity (Refer Note 33)	2.33	6.06
<b>TOTAL</b>	<b>2.33</b>	<b>6.06</b>
<b>5- Short-term borrowings</b>		
<b>Unsecured:</b>		
Loans and advances from the Holding Company	-	1,160.00
<b>TOTAL</b>	<b>-</b>	<b>1,160.00</b>
<b>6- Trade-payables (Refer Note 23)</b>		
Trade Payables		
- Outstanding due to other than Micro and Small Enterprises	10,002.20	1,961.25
<b>TOTAL</b>	<b>10,002.20</b>	<b>1,961.25</b>
<b>7- Other current liabilities</b>		
Deferred Revenue	-	384.19
Advances Received from Customers	92.80	26.56
Statutory Dues Payable	178.82	15.24
Employees Benefits Payable	7.24	43.17
<b>TOTAL</b>	<b>278.86</b>	<b>469.16</b>
<b>8- Short-term provisions</b>		
Provision for Gratuity and Leave Encashment (Refer Note 33)	3.08	27.71
Provision for Warranty Liability (Refer Note 31)	-	37.67
<b>TOTAL</b>	<b>3.08</b>	<b>65.38</b>

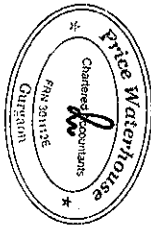


Digitlife Distribution and Marketing Services Limited (Formerly known as HCL Security Limited)  
Notes to the Financial Statements

9- Fixed Assets

Particulars	Gross Block				Depreciation / Amortisation				Net Block	
	As at 01.07.2011	Addition	Disposal (Refer Note 39)	As at 30.06.2012	As at 01.07.2011	Addition	Disposal (Refer Note 39)	As at 30.06.2012	As at 30.06.2012	As at 30.06.2011
<b>Tangible Assets:</b>										
Leased Assets										
Leasehold Improvements	22.85	-	22.85	-	22.85	-	22.85	-	-	-
Own Assets										
Plant and Machinery	1.14	0.90	1.41	0.63	0.10	0.41	0.16	0.35	0.28	1.04
Furniture and Fixtures	1.18	-	1.18	-	0.20	0.02	0.22	-	-	0.98
Office Equipments	6.56	0.19	6.69	-	1.77	0.13	1.90	-	-	4.73
Computers	36.80	1.52	37.19	1.13	19.81	1.59	20.95	0.45	0.68	16.99
<b>Sub-Total</b>	<b>68.47</b>	<b>2.61</b>	<b>69.32</b>	<b>1.76</b>	<b>44.73</b>	<b>2.15</b>	<b>46.08</b>	<b>0.80</b>	<b>0.96</b>	<b>23.74</b>
Previous Year	100.73	13.38	45.64	68.47	34.78	27.50	17.55	44.73	23.74	

₹/lacs



**Digilife Distribution and Marketing Services Limited (Formerly known as HCL Security Limited)**

**Notes to the Financial Statements**

	As at 30.06.2012 ₹/Lacs	As at 30.06.2011 ₹/Lacs
<b>10- Long-term loans and advances</b>		
<b>Unsecured:</b>		
Deposits	3.19	23.93
Advance Income tax		
[Net of Provision for Income Tax of ₹ 2.07 Lakhs (2011 - ₹ 2.07 Lakhs)]	15.21	1.38
<b>TOTAL</b>	<b>18.40</b>	<b>25.31</b>
<b>11- Inventories</b>		
Stock-in-Trade (Refer Note 25(b))		
[Including in Transit ₹ 1,305.53 Lakhs (2011 - ₹ 6.57 Lakhs)]	3,954.66	251.24
<b>TOTAL</b>	<b>3,954.66</b>	<b>251.24</b>
<b>12- Trade Receivables</b>		
<b>Unsecured</b>		
Debts outstanding for a period exceeding Six Months		
-Considered Good		668.58
-Considered Doubtful	64.63	42.43
	<u>64.63</u>	<u>711.01</u>
Other debts		
-Considered Good	6,403.53	1,935.10
-Considered Doubtful	31.48	-
	<u>6,499.64</u>	<u>2,646.11</u>
Less: Provision for Doubtful Debts	96.11	42.43
	<u>6,403.53</u>	<u>2,603.68</u>
<b>TOTAL</b>	<b>6,403.53</b>	<b>2,603.68</b>



**Digilife Distribution and Marketing Services Limited (Formerly known as HCL Security Limited)**

**Notes to the Financial Statements**

	As at 30.06.2012 ₹/Lacs	As at 30.06.2011 ₹/Lacs
<b>13- Cash and bank balances</b>		
<b>Cash and Cash Equivalents</b>		
Balances with Banks		54.16
- On Current Account	660.00	0.11
Cash on Hand	-	-
Cheques on Hand	2.69	-
<b>Other Bank Balances</b>		
Bank Deposits with original maturity of more than three months and upto twelve months	780.83	-
Bank Deposits with original maturity of more than twelve months	-	-
Less: Money held in trust Margin Account	114.08	-
<b>TOTAL</b>	<b>1,557.60</b>	<b>54.27</b>
<b>14- Short-term loans and advances</b>		
<b>Unsecured</b>		
<b>Considered Good</b>		
Balances with Customs, Port Trust, Excise and Sales Tax Authorities	38.81	62.20
Advances to Creditors	738.65	179.00
Other Deposits	-	23.20
Advance Income Tax	-	1.38
Prepaid Expenses	0.09	20.36
Others	59.32	1.64
<b>Considered Doubtful</b>		
Deposits and Others Advances	12.50	4.18
Less: Provision for Doubtful Loans and Advances	12.50	(4.18)
<b>TOTAL</b>	<b>836.87</b>	<b>287.78</b>
<b>15- Other current assets</b>		
Unbilled Revenue	-	75.45
<b>TOTAL</b>	<b>-</b>	<b>75.45</b>



**Digitlife Distribution and Marketing Services Limited (Formerly known as HCL Security Limited)****Notes to the Financial Statements**

	Year ended 30.06.2012 ₹/Lacs	Year ended 30.06.2011 ₹/Lacs
<b>16- Revenue from operations</b>		
Sale of Products	20,873.58	5,343.37
Sale of Services	8.12	318.36
<b>TOTAL</b>	<b>20,881.70</b>	<b>5,661.73</b>
<b>17- Other Income</b>		
Interest Income	73.12	0.54
- On Fixed Deposits (Gross)	-	17.60
Commission Income	44.57	-
Provisions/Liabilities no longer required written back		
<b>TOTAL</b>	<b>117.69</b>	<b>18.14</b>
<b>18- (Increase)/Decrease in inventories of stock-in-trade</b>		
Closing Stock	3,954.66	251.24
- Stock-In-Trade	3,954.66	251.24
Opening Stock	251.24	251.72
- Stock-In-Trade	251.24	251.72
<b>(Increase)/Decrease in inventories of stock-in-trade</b>	<b>(3,703.42)</b>	<b>0.48</b>
<b>19- Other direct expense</b>		
Purchase of Services	42.59	264.54
Spares and Stores Consumed	0.10	2.09
<b>TOTAL</b>	<b>42.69</b>	<b>266.63</b>
<b>20- Employee benefits expense (Refer Note 33)</b>		
Salaries, Wages, Bonus and Gratuity	203.64	687.54
Contribution to Provident and Other Funds	8.13	23.68
Staff Welfare Expenses	2.91	15.98
<b>TOTAL</b>	<b>214.68</b>	<b>727.20</b>
<b>21- Finance costs</b>		
Interest	0.05	1.43
<b>TOTAL</b>	<b>0.05</b>	<b>1.43</b>



23. Disclosure of Micro, Small and Medium Enterprises based on information available with the Company:

	2012 ₹/Lakhs	2011 ₹/Lakhs
a. (i) Principal amount remaining unpaid to any supplier as at the end of the year.	-	-
(ii) Interest due on above amount.	-	-
b. (i) Amount of interest paid in terms of Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 (Act).	-	1.17
(ii) Amount of payments made to the suppliers beyond the appointed day during the year.	-	47.14
c. Amount of interest due and payable for the period of delay in making payment but without adding the interest specified under the Act.	-	-
d. Amount of interest accrued and remaining unpaid at the end of the year.	-	0.08
e. Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises.	-	-

24. Taxation:

(a) Provision for taxation has been computed by applying the Income Tax Act, 1961 to the profit for the year ended June 30, 2012, although the actual tax liability of the Company has to be computed each year by reference to the taxable profit for each fiscal year ended March 31. The Company has Tax loss during the current year, accordingly no provision has been made for current tax.

(b) Deferred Tax:

Major components of Deferred Tax arising on account of timing difference along with their movement as at June 30, 2012 are:

	As at 30.06.11	As at 30.06.12
<b>₹/Lakhs</b>		
<b>Assets</b>		
Carry forward Tax Loss and Unabsorbed Depreciation	421.06	414.31
Depreciation	6.11	6.11
Provision for Doubtful Debts	14.40	31.18
Expense accruals (Bonus, Gratuity, Leave Encashment and Provision for Warranty)	16.88	2.01
Preliminary Expenses	-0.59	4.26
<b>Net Deferred Tax Asset (A) - (B)</b>	<b>457.87</b>	<b>457.87</b>
Previous year	457.87	457.87

25 (a) Information in respect of purchase of traded goods:

	Amount ₹/Lakhs
Memory Card	6,732.91
IPOD	3,102.52
Computers (Desktop and Laptops)	3,253.41
Gaming, Tablet and LCD	2,034.35
Cameras & CCTV Cameras	2,421.92
Baggage Scanners	603.40
Others*	1,643.78
	6,365.14
<b>Total</b>	<b>23,910.25</b>
	5,162.52

\*Does not include any item which in value individually accounts for 10% or more of the total value of purchase of traded goods.

25 (b) Sales:

Class of Products	Sales / Adjustments	
	Amount ₹/Lakhs	
Memory Card	5,827.13	-
IPOD	2,842.71	-
Computers (Desktop and Laptops)	4,849.81	-
Gaming, Tablet and LCD	2,716.03	-
Cameras & CCTV Cameras	1,441.50	673.39
Baggage Scanners	-	1,682.52
Others*	3,196.38	2,987.46
<b>Total</b>	<b>20,873.58</b>	-



**Digilife Distribution and Marketing Services Limited (Formerly known as HCL Security Limited)**  
**Notes to the Financial Statements**

	2012 ₹/Lakhs	2011 ₹/Lakhs
26. Value of Imports calculated on CIF basis:		
Traded items	6,318.55	2,846.56
Total	6,318.55	2,846.56
27. Earnings in Foreign Currency:		
Commission Income	-	17.60
Service Income	-	44.91
Total	-	62.51
28. Expenditure in Foreign Currency: (On cash basis)		
Travel	2.15	4.22
Total	2.15	4.22
29. Remuneration to Auditor*:		
Audit Fee	2.00	2.00
Out-of-Pocket Expenses	-	0.37
Total	2.00	2.37
*Excluding service tax		

30. Leases:

Operating Lease:

(i) Cancelable Operating Leases

(a) The Company has taken various commercial premises under cancelable operating leases. These are normally renewable on expiry.

(b) The rental expense in respect of operating leases was ₹ 10.53 Lakhs (2011 - ₹ 48.18 Lakhs) which is disclosed as 'Rent' expense under 'Other expense'.

31. The Company has the following warranty provision in the books of account:

	2012 ₹/Lakhs	2011 ₹/Lakhs
Opening Balance as on July 1	37.67	20.33
Additions during the year	-	18.22
Transfer during the year (Refer Note 39)	-37.67	-
Utilised / Reversed during the year	-	-0.87
Closing Balance as on June 30	-	37.67

The warranty provision was recognised for expected warranty claims on products sold during the year. Due to the very nature of such costs, it is not possible to estimate the timing of cash outflows due to uncertainties relating to the outflow of economic benefits.

32. Earnings per share (EPS)

The earnings considered in ascertaining the Company's EPS represent profit / (loss) for the year after tax. Basic earnings per share is computed and disclosed using the weighted average number of equity shares outstanding during the current year. Diluted earnings per share is computed and disclosed using the weighted average number of equity and dilutive equivalent shares outstanding during the year except when results would be anti-dilutive.

Calculation of EPS:

	2012	2011
<b>Particulars</b>		₹/Lakhs
Profit / (Loss) after tax (₹)	-74.07	-807.65
Weighted average number of shares considered as outstanding in computation of Basic EPS	44,236,301	14,734,932
Weighted average number of shares considered as outstanding in computation of Diluted EPS	44,236,301	14,734,932
Basic EPS (of ₹ 10/- each)	(0.17)	(5.48)
Diluted EPS (of ₹ 10/- each)	(0.17)	(5.48)





33. The Company has calculated the various benefits provided to employees as under:

**(a) Defined Contribution Plans**

**Superannuation Fund**

During the year, the Company has recognised the following amounts in the Statement of Profit and Loss:

	2012 ₹/Lakhs	2011 ₹/Lakhs
Employers Contribution to Superannuation Fund*	3.15	7.04

**(b) State Plans**

**(i) Employee State Insurance**

**(ii) Employee's Pension Scheme 1995**

During the year, the Company has recognised the following amounts in the Statement of Profit and Loss:

	2012 ₹/Lakhs	2011 ₹/Lakhs
Employers Contribution to Employee State Insurance*	0.04	0.71
Employers Contribution to Employee's Pension Scheme 1995*	1.19	5.58

\* Included in Contribution to Provident and Other Funds under Employee Benefits expense (Refer Note 20).

**(c) Defined Benefit**

**(i) Gratuity**

**(ii) Provident Fund#**

In accordance with Accounting Standard 15 (revised 2005), an actuarial valuation was carried out in the respect of the aforesaid defined benefit plans based on the following assumptions:

	Employees Gratuity Fund	
	2012	2011
Discount Rate (per annum)	8.60%	8.00%
Rate of increase in compensation levels	7.00%	7.00%
Rate of return on plan assets	Not Applicable	Not Applicable
Expected average remaining working lives of employees (years)	24.34	23.80

The estimates of future salary increases considered in actuarial valuation take account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

	2012	2011
	Gratuity ₹/Lakhs	Gratuity ₹/Lakhs
<b>Reconciliation of opening and closing balances of the present value of the defined benefit obligation:</b>		
Present value of obligation at the beginning of the year	21.97	26.12
Current service cost	0.73	2.87
Past service cost	-	-
Interest cost	1.89	2.09
Actuarial (gain)/loss	-0.22	-4.60
Benefits (paid)	-0.36	-4.51
Transferred out on sale of business	-20.86	-
Present value of obligation at the end of the year	3.15	21.97
<b>Reconciliation of the present value of the defined benefit obligation and the fair value of the plan assets:</b>		
Present value of the obligation as at the end of the year	3.15	26.12
Fair value of plan assets at the end of the year	-	-
Assets/(Liabilities) recognised in the Balance Sheet	-3.15	-26.12
<b>Cost recognised for the period (included under Salaries, Wages, Allowances, Bonus and Gratuity under Employee Benefits expense - Refer Note 20)</b>		
Current service cost	0.73	3.83
Past service cost	-	4.34
Interest cost	1.89	1.23
Actuarial (gain) / loss	-0.22	0.93
Net cost / (gain) recognised for the year	2.40	10.34

Reconciliation of the present value of the defined benefit obligation and the fair value of the plan assets:

	₹/Lakhs				
	2012	2011	2010	2009	2008
Present value of the obligation as at the end of the year	3.15	21.96	26.12	15.79	-
Fair value of plan assets at the end of the year	-	-	-	-	-
Assets/(Liabilities) recognised in the Balance Sheet	-3.15	-21.96	-26.12	-15.79	-

# In respect of certain eligible employees, the Company has a provident fund plan which is administered through a multi employer trust. The participants have an obligation to make good any deficiency in the interest to be paid by the Trust to its members and the income earned by it. Accordingly the plan is as a defined benefit plan. The trust has obtained an actuarial valuation of the Provident fund liability as at the Balance Sheet date and as per valuation report, there is no shortfall as on June 30, 2012. The valuation report contained details for the disclosure requirement of the Accounting Standard 15 "Employee Benefits" for the trust as a whole, however breakup into respective entities is not available and accordingly the disclosures for provident fund liability as required by Accounting Standard 15 "Employee Benefits" has not been made in these financial statements. The Company's contribution to provident fund for the year is ₹ 3.75 Lakhs (2011 ₹ 10.35 Lakhs) which has been included under Employee benefit expense (Refer Note 20).

34. Foreign Currency Exposure:

(a) The Company has no outstanding forward contracts to buy foreign currency as at June 30, 2012 (2011: ₹ Nil).

(b) As at June 30, 2012, the foreign currency exposure that is not hedged by a derivative instrument or otherwise is as follows:

Particulars	Year ended 30.06.2012			Year ended 30.06.2011		₹/Lakhs
	EUR	USD	₹/Lakhs	EUR	USD	
Payables	-	-	-	33,772	-	22.23
Payables	-	1,293,547	719.86	-	2,394,318	1,071.10
Total	-	1,293,547	719.86	33,772	2,394,318	1,093.33

35. Disclosure as per Clause 32 of the listing agreement of HCL Infosystems Limited, the Holding Company:

a) No loans and advances in the nature of loans have been given during the year to any subsidiary, associate or firms/ Companies in which the directors are interested.

b) Loans to employees under various schemes of the Company have been considered to be outside the purview of the disclosure requirements.



**Digilife Distribution and Marketing Services Limited (Formerly known as HCL Security Limited)**  
**Notes to the Financial Statements**

**36. Disclosure of related parties and related party transactions:**

**(a) Holding Company:**

-HCL Infosystems Limited (holds 100% of equity share capital of the Company)

**(b) Company having substantial interest:**

HCL Corporation Private Limited (Formerly known as 'Guddu Investments (Pondl) Private Limited')

**(c) Other related parties with whom transactions have taken place during the year and/or where balances exists:**

-HCL Technologies Limited (Company having the significant influence over the Holding Company)  
 -Kiran Nadar Museum of Art

**(d) Summary of Related Party disclosures:**

₹/Lakhs

Particulars	Holding Company		Others		Key Management Personnel		Total	
	June 2012	June 2011	June 2012	June 2011	June 2012	June 2011	June 2012	June 2011
<b>(a) Transactions</b>								
<b>Sales and related income</b>								
-HCL Technologies Limited			136.90	1,459			136.90	1,459.05
-HCL Infosystems Limited	1,947.18	3,132.58					1,947.18	3,132.58
-Kiran Nadar Museum of Art			-	15			-	14.81
<b>Purchase of Goods</b>								
-HCL Infosystems Limited	13,631.65	168.24					13,631.65	168.24
<b>Equity Shares issued, subscribed and paid up / on conversion of Unsecured Loans</b>								
-HCL Infosystems Limited	2,900.00	1,500.00					2,900.00	1,500.00
<b>Unsecured Loans received</b>								
-HCL Infosystems Limited	-	1,860.00					-	1,860.00
<b>Unsecured Loans refunded/ adjusted</b>								
-HCL Infosystems Limited		1,700.00						1,700.00
<b>Assets purchased</b>								
-HCL Infosystems Limited	-	3.76					-	3.76
<b>Assets sold</b>								
-HCL Infosystems Limited	25.08	27.80					25.08	27.80
<b>Transfer of Net assets on Sale of Business (Refer Note 39)</b>								
-HCL Infosystems Limited	3,500.00						3,500.00	-
<b>Acquisition of Net assets on Purchase of Business (Refer Note 39)</b>								
-HCL Infosystems Limited	767.38						767.38	-
<b>Reimbursement of Expenses</b>								
-HCL Infosystems Limited	86.58	1.12					86.58	1.12
<b>(b) Amount due to/ from related parties</b>								
<b>Unsecured Loans</b>	-	1,160.00					-	1,160.00
<b>Accounts Receivables</b>	8,623.83	1,195.28	0.94	776.50			8,624.77	1,971.78
<b>Accounts Payables</b>	8,322.76	1.79					8,322.76	1.79

Note: All transactions with related parties have been entered into in the normal course of business.

(e) The Company has taken working capital facilities (non funded) from bank which is secured by a corporate guarantee of ₹ 2,000 lacs given by HCL Infosystems Limited, the holding company, against which the Company has utilised ₹ 106.65 lacs (2011 - ₹ 858.52) as at June 30, 2012.

(f) No remuneration is paid by the Company to the whole-time Director.



**Digilife Distribution and Marketing Services Limited (Formerly known as HCL Security Limited)**

**Notes to the Financial Statements**

**37. Employee Stock Option Plan (ESOP):**

The holding company has established Employee Stock Option Scheme 2000 and Employee Stock Based Compensation Plan 2005 for the employees of HCL Infosystems Limited and its subsidiaries.

HCL Infosystems Limited, Holding Company follows the Intrinsic Value Method of accounting and there is no charge for ESOPs based on this method during the current year which relates to the Company.

The impact on the profit of the Company for the current year ended June 30, 2012 and the basic and diluted earnings per share had the Holding Company followed the fair value method of accounting for stock options is set out below:

Proforma disclosures Particulars	₹/Lakhs	
	Year ended June 30, 2012	Year ended June 30, 2011
Loss after tax as per Profit and Loss account (a)	(74.07)	(807.65)
Add: Employee Stock Compensation Expense as per Intrinsic Value Method	-	-
Less: Employee Stock Compensation Expense as per Fair Value Method	0.04	0.55
Loss after tax recomputed for recognition of employee stock compensation expense under fair value method (b)	(74.11)	(808.19)
Earnings Per Share based on earnings as per (a) above:		
- Basic and Diluted (Refer Note 32)	(0.17)	(5.48)
Earnings Per Share had fair value method been employed for accounting of employee stock options:		
- Basic and Diluted	(0.17)	(5.48)

38. The Company's business falls within a single primary business and geographical segment, i.e. trading and distribution of various telecommunications and electronic equipment, computer hardware and software and its accessories and other electronic, electric, digital, multi-media, consumer durables and domestic products erstwhile supply and/or installation of the Security, Surveillance and Scanning related equipments. Accordingly, pursuant to Accounting Standard 17 on 'Segment Reporting', notified under section 211 (3C) of the Companies Act, 1956, segment information is not required to be disclosed.
39. During the year, the Company has with effect from August 1, 2011 sold its Security and Surveillance business as a going concern basis to HCL Infosystems Limited, the Holding Company for a consideration of ₹ 600 Lakhs and acquired the Digital Entertainment business of HCL Infosystems Limited, as a going concern on slump sale basis for a consideration of ₹ 3,500 Lakhs. The consideration for sale of business of ₹ 600 Lakhs was received in cash and the consideration for purchase of business was paid by way of issue of Equity share capital of ₹ 2,900 Lakhs and cash of ₹ 600 Lakhs. The Company has incurred a loss of ₹ 167 Lakhs on sale of business. Total consideration of ₹ 3500 lacs, pertaining to purchase of Digital Entertainment Business, has been splitted up into various assets and liabilities, based upon the allocation done by independent valuer, and recorded in the books of accounts.
40. Pursuant to the approval of the Registrar of Companies obtain on July 26, 2011, the name of the Company has been changed from HCL Security Limited to Digilife Distribution and Marketing Services Limited.
41. The financial statements for the year ended June 30, 2011 had been prepared as per the then applicable, pre-revised Schedule VI to the Companies Act, 1956. Consequent to the notification of Revised Schedule VI under the Companies Act, 1956, the financial statements for the year ended June 30, 2012 are prepared as per Revised Schedule VI. Accordingly, the previous year figures have also been reclassified to conform to this year's classification. The adoption of Revised Schedule VI for previous year figures does not impact recognition and measurement principles followed for preparation of financial statements.

For Price Waterhouse  
Firm Registration Number: 301112E  
Chartered Accountants



ABHISHEK RARA  
Partner  
Membership No. 77779

Place: Noida  
Date: August 22, 2012


For and on behalf of the Board of Directors



HARSH CHITALE  
Director



SANDEEP KANWAR  
Director



DEEPA RAVI SHANKAR  
Company Secretary